

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 1, 2008
POSITION: Neutral, note concerns

BILL NUMBER: AB 2866
AUTHOR: K. De Leon
RELATED BILLS: AB 2640

BILL SUMMARY: Solid Waste: Solid Waste Disposal Fees

This bill would increase the solid waste tipping fee from \$1.40 to \$2.00 per ton and use the revenue for specified purposes. Additionally, the bill would hold a disposal site owner or operator that does not adhere to a closure or post-closure plan liable for any resulting costs incurred by the California Integrated Waste Management Board (Waste Board).

FISCAL SUMMARY

Currently, the solid waste tipping fee generates \$60 million Integrated Waste Management Account (IWMA) annually. Increasing the tipping fee to \$2.00 per ton would generate additional annual revenues of approximately \$26 million.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 23, 2008 version are minor and do not alter our position. The most significant change is in the allocation of the fee increase. The amended bill would allocate 30 percent of the tipping fee increase to organics management projects instead of 50 percent. The remaining 20 percent would be available for appropriation from the IWMA for Waste Board regulatory and program activities.

COMMENTS

The Department of Finance is neutral on this bill, but notes a concern that the proposed fee increase only allocates twenty percent of the additional revenue to the IWMA. Because the IWMA supports all core regulatory activities, any additional workload in this area would have to be funded from a fraction of the proposed additional fee or from existing funds.

Currently, IWMA annual expenditures exceed revenues by \$10 million. Finance projects that the IWMA fund balance will be exhausted by 2010-11. The bill's proposed fee increase could hinder subsequent fee increases that may be necessary to fund core regulatory activities.

Existing law establishes a maximum tipping fee of \$1.40 per ton of solid waste disposed in the state. The actual fee is established by the Waste Board at an amount sufficient to generate revenues equivalent to the approved budget for that fiscal year, including a prudent reserve. The Waste Board has charged the statutory maximum rate since July 1, 2002. This bill would sunset the existing tipping fee on July 1, 2009 and establish the new fee of \$2.00 per ton on that same date.

The proposed 60 cent increase equates to a 43 percent increase in the total tipping fee. The average jurisdiction charges \$30 per ton for disposal, of which \$1.40 is passed on to the State. This proposed fee increase would result in a 2 percent increase to the average total per ton disposal cost.

(Continued)

COMMENTS (Continued)

Funds from the increased fee would be deposited in the IWMA and be expended for the following:

- From July 1, 2009 through June 30, 2012, 25 percent of the revenues would be used for demonstration projects by operators of diesel and natural gas fleets to accelerate the use of alternative fueled waste collection vehicles. Also, funds could be used for projects that demonstrate

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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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- From July 1, 2009 through June 30, 2020, 30 percent of the revenues would be used for projects aimed at achieving the goal of diverting half of all compostable organics from landfills by the year 2020. After July 1, 2020, the money would be expended as appropriated by the Legislature.
- On and after July 1, 2009, 25 percent of the revenues would be deposited into the newly established State Solid Waste Postclosure Trust Fund. These funds would be used to pay for future state liability resulting from the failure of a responsible party to perform landfill closure and postclosure duties. The account could not exceed \$50 million for this purpose. Any additional revenues would be available for appropriation by the Legislature.

This bill is related to AB 2640 which would require the Waste Board to adopt policies that reduce the amount of compostable organics placed in landfills by 50 percent. Additionally, commencing January 1, 2010, AB 2640 would require disposal facilities to pay the Waste Board \$1.40 per ton for all green material used for beneficial reuse, including material used as alternative daily cover, at the disposal site. By July 1, 2010, AB 2640 would require the Waste Board to adopt a compostable organics management program.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
3910/Waste Mgmt	SO	No		--	A	\$6,500	A	\$6,500	0499
3910/Waste Mgmt	SO	No		--	A	\$14,300	A	\$14,300	0387
1254/EnvmntlHazard	RV	No		--	U	\$19,500	U	\$19,500	0387
1254/EnvmntlHazard	RV	No		--	U	\$6,500	U	\$6,500	0499
<u>Fund Code</u>	<u>Title</u>								
0387	Integrated Waste Management Account								
0499	Pending New Special Funds								